

# SOE Network for Southern Africa

Maputo  
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**Equitable treatment of non-  
Government shareholders**

Patrick Chisanga  
Global Corporate Governance Forum



# Equitable Treatment of Shareholders-OECD Guidelines

- A. The co-ordinating ownership entity and SOEs should ensure that **all shareholders are treated equitably**
- B. SOEs should observe a **high degree of transparency towards all shareholders**
- C. The SOEs should develop an active policy of **communication and consultation** with shareholders
- D. The **participation of minority shareholders** in the **shareholder meetings** should be facilitated in order to allow them to take part in fundamental **corporate decisions such board election**

## Challenges in Southern Africa

- Enforcement of law
- Independence and effectiveness of regulatory agencies

# Minority Shareholders in SOEs in Zambia-Historic Perspective

## Post Independence (1964)

- Arising out of policy of pursuing **socialist agenda** ‘**nationalisation**’ of private firms in the 60’s, Angola ans, following ‘Wind of Change’ – Later Mozambique
- No special Protection apart from company law provisions
- Being socialist economy – No stock market for “Public Ownership”

# Minority Shareholders in SOEs in Zambia-Historic Perspective

## Wind of Change II (Post Berlin wall & change of Government – 1991)

- Wholesale privatisation under IMF structure adjustment program – No sacred Cows (ZCCM), Little or no consideration of minority shareholders during privatisation (ZCCM, Zambia National Commercial Bank) process in pursuit of free market policy, some times under pressure from IMF as conditionality for aid-Transparency/Fairness on sale transaction
- Introduction of stock market in 1994: SOEs not in a position to list-Governance, profitability and government policy
- Change of Policy – Privatisation to Commercialisation
- Loss making SOEs in Limbo

# Current Position of Minorities in SOEs

- Despite changes in environment, no special focus or changes on **rights** or **protection** of **existing minorities-status quo**
- Although there has been a **rethink** or **slow down** the on privatisation of certain industries, there are:
  - No **SOE listing** on the Stock Exchange-Governance and Profitability
  - No incentive for entry of new (private) shareholders-**legal and regulatory environment** on protection of minority
- New 'shareholders' coming in through PPP-Concessions (Railways)

# Legal and Regulatory Environment

- Absence of effective legal and regulatory framework on protection of minorities barrier to:
  - Listing on the Stock Exchange
  - Investment, especially FDI, in SOEs  
Zamtel (Telecom), ZESCO (Power)
- Government has come with policy on **PPPs** and is in the process of finalising the **legal and regulatory framework**
- Investors will prefer protection through specific **private agreement** rather than general **company law** in the absence a effective legal and regulatory framework

# Way Forward for SOEs

- Improvement in Corporate Governance – Transparency and Accountability
- Government should encourage Listing of SOE as a way of encouraging ‘true’ direct public ownership as well as attracting Capital
- Encourage direct private shareholding, Transfer of technology and Skills into South Africa

# Way Forward for SOEs

- Consider Special provision for safeguarding interest of Minorities
  - At AGM
  - Board representative above a given threshold of shareholding
- Strengthening of general and legal regulatory environment by ensuring best practices and enforcement of Laws



# Role of Non-Government Shareholders/ Minority in SOEs- Promoting Change

**END**